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Review of the efficiency of the administrative and financial functioning of the United Nations

Outsourcing practices

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on outsourcing practices (A/53/818). During its consideration of the report, the Committee met with representatives of the Secretary-General who provided additional information.

2. The Committee notes from the summary of the Secretary-General's report that in preparing the report on outsourcing practices, full account had been taken of the reports of the Joint Inspection Unit (JIU) (A/52/338, annex) and the report of the Office of Internal Oversight Services (A/52/813, annex).

3. In this connection, the Committee recalls its views on the need for the Secretariat to establish the scope and criteria for contracting out for selected technical functions. In its report A/50/7,[1] (para. 20), the Committee had stated that it trusted that future proposals for contracting out United Nations services would be developed on the basis of clear criteria, including not only the cost-effectiveness but also the need to ensure reliability and flexibility in the service to be provided. It was also essential to ensure that the special requirements of the United Nations as an international organization, including requirements of the Charter of the United Nations, were not adversely affected. In the same report (para. VIII.22), the Committee had noted that although contracting out for selected technical functions had been mentioned in paragraph 26C.3 of the proposed programme budget (A/50/6)[2] as one of the components of the new strategy for the management of the human resources of the Organization, the budget submission did not indicate the scope or criteria for contracting out in 1996–1997. The Committee had requested information to clarify the type of technical functions that would be contracted out but had not received a reply. In its report (A/52/7,[3] chap. II, part VIII, para. VIII.48) on the proposed budget for 1998–1999, the Committee reiterated that the budget submission should have included the scope or criteria for contracting out for selected technical functions.

4. The report of the Secretary-General under consideration (A/53/818) attempts, *inter alia*, to describe the purpose, set the policy and guidelines for outsourcing and define functions that could be contracted out. In paragraph 8 of the report, the Secretary-General defines outsourcing as "contracting with a third party to provide non-core activities and services (including, where applicable, related goods), which activities and services have been or could be provided by United Nations staff". The representatives of the Secretary-General informed the Committee that the list of functions which could be contracted out as set forth in paragraph 8 of the report were based on the information in the JIU report.

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5. Having considered the report of the Secretary-General and taking into account the testimony of his representatives, the Committee has concluded that the identification of each of these functions has not been based on experience within the Secretariat of the United Nations. The functions are not specific as to what should or should not be contracted out. The report has no analysis of experience within the United Nations Secretariat, and statistical data provided to the Committee was insufficient and inconclusive. The Committee was informed that in the funds and programmes of the United Nations, many of the functions listed in paragraph 8 of the Secretary-General's report could be contracted out, based on the experience of these entities. However, since the United Nations does not have this experience, more attention would be required within the United Nations Secretariat to identify the activities that could be contracted out. A decision on whether a function should be contracted out has therefore to be made on a case-by-case basis as well as a decision on whether a function can be wholly or partially contracted; the primary responsibility rests with the programme manager.

6. In paragraph 43 of the report, it is stated that as experience and confidence with outsourcing grows, outsourcing would include non-core substantive activities and services in addition to non-core support type activities and services. The Advisory Committee questions the utility of categorizing as "core" and "non-core". Such a classification has the potential for creating endless debate and disagreement within the Secretariat and among Member States as to whether, based on its classification, an activity should or should not be contracted out. Accordingly, the Committee recommends that such classification be dispensed with.

7. JIU, in recommendation 3 of its report (A/52/338, annex) had stated that the executive heads of participating organizations should prepare, for approval at the appropriate level, changes in the structure and/or operating procedures of their secretariats to facilitate and encourage the best use of outsourcing, including the possible designation of an official to serve as facilitator for this purpose. In recommendation 13 of its report A/51/804, the OIOS had recommended the establishment of a focal point with the Department of Administration and Management who would be responsible for identifying potential areas for outsourcing, providing methodological support for cost/benefit analyses, developing criteria and initiating "market testing" of selected activities to determine whether they should be performed by outside providers. In paragraph 42 of his report, the Secretary-General agrees that efforts should now be undertaken to identify such an outsourcing facilitator within the Department of Management. In paragraphs 21 and 34 of the Secretary-General's report, the role of outsourcing teams is set out. However, the Committee notes that in the comments of the Administrative Committee on Coordination (ACC) on the JIU report, it is stated that in the light of the budgetary constraints facing the organizations and competition for scarce resources, it is not considered appropriate to appoint specific outsourcing facilitators (see A/52/338/Add.1, para. 6).

8. It is not clear to the Committee, in the light of the increasing delegation of authority to offices away from Headquarters and to the field, whether it is intended to appoint one or more facilitators in each department or station. The Committee cautions against establishing additional bureaucratic layers of decision-making in the Secretariat, as does JIU in paragraph 99 of its report. Paragraph 16 of the Secretary-General's report states clearly that responsibility and accountability rest with the responsible programme manager for taking the outsourcing decision in the first place and for the ultimate quality and cost of the outsourced activity or service. Similar views are expressed in paragraph 19 of the report. The Committee is of the view that before a decision is made to appoint any facilitator it should first be ascertained whether the related functions could be carried out within existing contracting arrangements.

9. As indicated in the report of the Secretary-General, contracting out has an impact on staff services and staff of the unit concerned. For the outsourcing process to be successfully carried out, management should institute effective measures to involve the staff. This requires careful planning of outsourcing activities; there would also be a need to train or redeploy staff who have been displaced as a result of outsourcing activities. Furthermore, in order for the Organization to resort to outsourcing of functions, the cost benefit derived from outsourcing of functions should be significant and not "at least" as cost-effective as when the United Nations has been doing them on its own, as indicated in paragraph 22 of the Secretary-General's report.

10. The Committee is also of the view that there has to be transparency, through the budgetary process, with Member States in order to engender confidence and maintain sustained support for outsourcing activities. The Committee therefore disagrees with the comments of ACC that it is not appropriate for legislative organs to become involved in reviewing and approving policies in this area. The Committee sees no reason to believe that the involvement of legislative bodies would in and of itself either lead to additional cost or to micro-management. The Advisory Committee recommends that in the context of the proposed

programme budgets, the Secretariat provide appropriate information on the extent to which budgetary provisions are being requested for activities that have been or if possible would be contracted out. Similar information is currently provided, for example for maintenance, cleaning, catering and contractual translation services.

Notes

[1] *Official Records of the General Assembly, Fiftieth Session, Supplement No. 7.*

[2] Ibid., *Supplement No. 6.*

[3] Ibid., *Fifty-second Session, Supplement No. 7.*